

<b>THIS AMENDMENT:</b>		
_____ Passed _____	Passed as amended by _____	
_____ Failed _____	_____ Not Offered _____	_____ Withdrawn _____

## HEARING DIVISION PROPOSED AMENDMENT #2

DATE PREPARED: March 23, 2005

COMPANY: Arizona Public Service Co.

AGENDA ITEM NO.: U-1

DOCKET NO.: E-01345A-03-0437

OPEN MEETING DATE: March 24 and 28, 2005

**Page 16, Line 14,** DELETE Footnote 17 and INSERT new Footnote 17:

Staff's late-filed exhibit S-35 filed December 14, 2004 in response to a request from Commissioner Mundell to extrapolate the effects of the PSA over several years, contained an error and on March 9, 2005, Staff filed a corrected exhibit.

**Page 16, Line 16,**

DELETE beginning with: "We will" through line 20 ending with "one year."

INSERT: "We will limit the amount of "annual net fuel and purchased power costs" (as shown in Staff Exhibit 23) <sup>1</sup> that can be used to calculate the annual PSA to no more than \$776,200,000. Any fuel or purchased power costs above that level will not be recovered from ratepayers. We believe that this "cap" on fuel and purchased power costs will further encourage APS to manage its costs, and will help to prevent large account balances from occurring in one year. Because the PSA actually adjusts for growth, putting a "cap" on recovery of these costs will help insure that APS will file a rate application when necessary. <sup>2</sup>

**Page 18, Lines 2 – 3**

DELETE: "APS to submit its PSA Plan of Administration for our approval."

INSERT: "the parties to the Settlement Agreement to submit a PSA Plan of Administration that reflects the determinations in this Decision, for our approval."

**Page 31, Line 25**

DELETE: "APS shall submit its Plan of Administration for the PSA"

INSERT: "The parties to the Settlement Agreement shall submit a PSA Plan of Administration that reflects the determinations in this Decision"

**Page 33, Lines 7-8**

DELETE: "Arizona Public Service Company shall submit its Plan of Administration for the PSA"

INSERT: "The parties to the Settlement Agreement shall submit a PSA Plan of Administration that reflects the determinations in this Decision"

<sup>1</sup> For example, under "Average Usage Scenario One", the line reads "Annual Net Fuel and Purchased Power Costs: \$524,600,000."

<sup>2</sup> See S-35 filed March 9, 2005, Scenario 11A – even when the price of gas remains constant, the PSA adjustor increases, because the adjustor uses total costs (not price) which reflects the growth which is being met by the higher priced fuel, natural gas.